

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF MIKE)	CASE NO. 2008-00247
LITTLE GAS COMPANY, INC.)	

ORDER

On October 22, 2003, in Case No. 2003-00141,¹ the Commission approved rates for Mike Little Gas Company, Inc. ("Mike Little"), and provided for their further adjustment in accordance with Mike Little's Gas Cost Adjustment ("GCA") clause.

On July 1, 2008, Mike Little filed its proposed GCA to be effective August 1, 2008.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Mike Little's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. Mike Little's notice sets out an Expected Gas Cost ("EGC") of \$12.5999 per Mcf. Mike Little incorrectly calculated several of the components in its EGC. First, Mike Little incorrectly converted the volumes purchased from Equitable Gas Company ("Equitable").² Next, Equitable's rate should be applied per Decatherm, rather than per

¹ Case No. 2003-00141, Application of Mike Little Gas Company, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

² Mike Little's purchases from Equitable are stated in Decatherms and therefore must be converted into 1,000 cubic feet. The proper way to calculate the conversion is to divide the Equitable purchase volume by the conversion factor, rather than by multiplying by the factor.

Mcf. Finally, Mike Little purchases part of its natural gas from Columbia Gas of Kentucky, Inc. ("Columbia") under Columbia's Intrastate Utility Service ("IUS") rate. Columbia's IUS rate has recently been updated,³ effective May 30, 2008. The Commission will update the calculation to reflect the more current IUS rate, in order to provide a better estimate of Mike Little's purchased gas costs over the upcoming quarter. Correcting for these items produces an EGC of \$12.3938 per Mcf, which is an increase of \$1.1312 per Mcf from the previous EGC of \$11.2626. Staff's recalculation of Schedule II is attached as Appendix B.

3. Mike Little's notice sets out no current quarter Refund Adjustment ("RA"), and it had no RAs from previous quarters.

4. Mike Little's notice sets out a current quarter Actual Adjustment ("AA") of \$1.005 per Mcf. Mike Little incorrectly calculated its total sales and unit cost of gas for all three months. Correcting for this produces a current quarter AA of \$.9856 per Mcf. Mike Little's notice sets out a total AA of \$1.2138 per Mcf. Mike Little carried forward incorrect prior quarter AAs in developing its total AA. Correcting for this produces a total AA of \$1.2408 per Mcf, which is a decrease of \$.4519 per Mcf from the previous total AA. Staff's recalculation of Schedule IV is attached as Appendix B.

5. Mike Little's GCA Rate is \$13.6346 per Mcf, which is \$.6793 per Mcf more than the previous rate of \$12.9553.

³ Case No. 2008-00157, Notice of Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc., Order dated May 16, 2008.

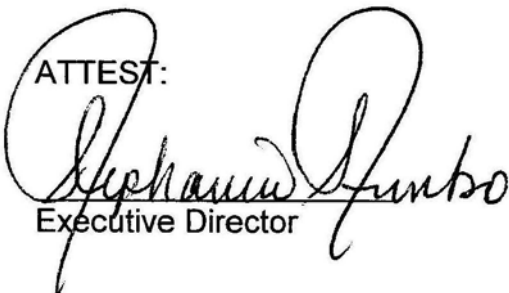
6. The rates in Appendix A to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by Mike Little on and after August 1, 2008.

IT IS THEREFORE ORDERED that:

1. Mike Little's proposed rates are denied.
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after August 1, 2008.
3. Within 20 days of the date of this Order, Mike Little shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 22nd day of July, 2008.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00247 DATED JULY 22, 2008

The following rates and charges are prescribed for the customers in the area served by Mike Little Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$5.50	\$13.6346	\$19.1346
Over 1 Mcf	\$4.3271	\$13.6346	\$17.9617

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00247 DATED JULY 22, 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$12.3938
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$1.2408
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$13.6346

to be effective for service rendered from.

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$247,202.94
/Sales for the 12 months ended	\$/Mcf	19,945.70
Expected Gas Cost	\$/Mcf	\$12.3938
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.9856
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0991
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0433
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.1128
=Actual Adjustment (AA)	\$ Mcf	\$1.2408
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended		<u>April 30, 2008</u>			
(1)	(2)	(3)	(4)	(5)	(6)
Supplier	Dth	Btu Conversion Factor	Mcf	Rate	(4) x (5) Cost
Equitable Gas	14,721.98	1.201	12,258.10	\$12.1602	\$179,022.71
Columbia Gas of Kentucky (IUS Rate)			4,787.50	\$14.2413	\$68,180.22
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<hr/> Totals			17,046		\$247,202.94
Line loss for 12 months ended		<u>4/30/08 is based on purchases of</u>		<u>17,045.60</u>	
and sales of		<u>19,945.70</u>	Mcf.	-17.01%	
				<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)					\$247,202.94
/ Mcf Purchases (4)					17,046
= Average Expected Cost Per Mcf Purchased					\$14.5024
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)					17,045.60
= Total Expected Gas Cost (to Schedule IA)					\$247,202.94

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended April 30, 2008

Particulars	Unit	Month 1	Month 2	Month 3
Total Supply Volumes Purchased	Mcf	3942.589	3022.488	1469.522
Total Cost of Volumes Purchased	\$	\$48,102.98	\$41,628.39	\$20,477.79
/ Total Sales *	Mcf	3,732.5	3,522.8	1,396.0
= Unit Cost of Gas	\$/Mcf	\$12.8876	\$11.8168	\$14.6684
- EGC in Effect for Month	\$/Mcf	\$10.3590	\$10.3590	\$10.3590
= Difference	\$/Mcf	\$2.5286	\$1.4578	\$4.3094
x Actual Sales during Month	Mcf	3,732.5	3,522.8	1,179.7
= Monthly Cost Difference	\$	\$9,438.01	\$5,135.70	\$5,083.82
Total Cost Difference				\$ \$19,657.54
/ Sales for 12 months ended				Mcf 19,945.7
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.9856

* May not be less than 95% of supply volume